



JUNCTION NATIONAL BANK

THE Brand Name in Kimble County Banking

701 Main Street P.O. Box 65 Junction, Texas 76849
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April 26, 2011

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Delivery via E-mail to regs.comments@federalreserve.gov

Re: Regulations D, Q, and DD; Docket No. R-1413; RIN No. 7100-AD72;
Prohibition Against Payment of Interest on Demand Deposits

Dear Ms. Johnson:

The anticipated effect related to the proposed repeal of Regulation Q, Prohibition Against Payment of Interest on Demand Deposits, is yet again another erosion to bank profitability; therefore, Junction National does not support the proposal.

Junction National Bank of Junction, Texas, a \$45,000,000.00 financial institution, is independently owned and has been serving the financial needs of Kimble County since 1935. One of the bank's greatest franchise values is the bank's level of demand deposits. Demand deposits represent 32% of the bank's total deposits. Currently 28% of demand deposits are commercial accounts. The demise of Regulation Q will greatly diminish the value and stability of core deposits.

If the market necessitates interest on commercial checking, Junction National will be at a competitive disadvantage and additional interest rate risk will be prevalent on the balance sheet. Large retail institutions have the ability to price aggressively to attract additional deposits to be used for loan demand in lieu of borrowing funds. Loan demand in our community is relatively low and impedes the ability to offer higher rates on deposits, especially given the current interest rate environment.

In an effort to maintain adequate earnings, evaluation of the bank's current fee structure for existing products and services will be warranted. A repercussion of the repeal of Regulation Q is unfortunately increased costs to the consumer.

Our small community bank continues to work diligently to provide services commensurate to larger retail institutions. In light of recent regulatory burdens, it is becoming more difficult to compete on a level playing field as an independent community bank and to remain profitable. The constant transformation of government rules and regulations remain the bank's primary concern.

Junction National Bank appreciates the opportunity to comment and requests the Federal Reserve reconsider the repeal of Regulation Q.

Respectfully submitted,

A handwritten signature in cursive script that reads "Darla Rooke".

Darla Rooke
President/C.E.O.
Junction National Bank
701 Main Street
Junction, TX 76849